



# U.S. General Services Administration

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Committee on Small Business  
Subcommittee on Contracting and Workforce  
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Good morning Chairman Mulvaney, Ranking Member Chu, and members of the Subcommittee. My name is Bill Guerin, and I am the Assistant Commissioner for the Office of Construction Programs at the U.S. General Services Administration's (GSA) Public Buildings Service (PBS). Thank you for this opportunity to appear before you today to discuss how we pursue construction projects, the challenges and opportunities that exist within this process for small businesses, and our successes in meeting our small business goals.

GSA recognizes and values the importance small businesses play in our ability to help agencies meet their needs. We know that small businesses help drive our national economy and bring new and innovative solutions to Government challenges, which is why we strive to include small businesses in our acquisitions. In FY 2011, GSA awarded 41 percent of all contract dollars to small businesses.

Within GSA, PBS is primarily responsible for the Federal Government's civilian real property inventory. While we provide a variety of services for other Federal agencies, I want to focus today on PBS's new construction and repair and alterations projects within our owned inventory. Last year alone, PBS obligated more than one billion dollars to small businesses. We understand that a strong and successful small business community is integral to job creation, community empowerment, and economic revitalization for our nation.

### *How PBS Pursues Federal Construction*

As with any major real estate organization, public or private, PBS pursues a robust asset management program that strives to make the proper investments in our inventory to maintain a portfolio of sustainable and well-performing assets to meet the long-term needs of Federal agencies.

The investments we make in our public buildings help to stimulate and retain job growth in the construction and real estate sectors, reduce energy consumption, improve the environmental performance of our inventory, reduce our backlog of repairs and alterations, and increase the value of our assets.

With appropriations, PBS has requested, on average, \$682 million in constructing new facilities over the last five years. Over this same time period, PBS has requested on average \$713 million for reinvestment to maintain our inventory of over 1,500 owned buildings, which have an average age of 47 years. Approximately 52 percent of these reinvestment dollars fund major modernization projects, while the remaining 48 percent fund the necessary minor repair and alterations needed to perform interior fit-outs to keep

our vacancy rates at an enviable low level, maintain the health and safety of building occupants, and provide the funds necessary to deal with minor emergencies and other needs that arise in the day-to-day operations of GSA's building inventory.

### *Procuring Construction Services*

As real estate experts, PBS procures construction goods and services at the best value for the Government on behalf of the American taxpayer. PBS uses proven selection procedures that enable us to award contracts to deserving competitors who can offer the Government the best overall value.

GSA separately evaluates both the technical qualifications and the price of each proposal we receive. The merit of a technical proposal is reviewed on a variety of factors, including past performance and price, technical excellence, personnel qualifications, and experience with similar projects. On large construction projects that exceed \$1.5 million, GSA must evaluate a small business subcontracting plan in relation to the small business goals set for the project in the solicitation. These goals usually reflect GSA's small business goals for the fiscal year. This project plan represents a good faith commitment on the part of the contractor to ensure that small and disadvantaged subcontractors participate in the construction of every GSA project.

### *Small Business Opportunities within GSA*

GSA understands the value of small businesses to our economy, and advocates for the participation of small businesses<sup>1</sup>, including small disadvantaged, women-owned, HUBZone, veteran, and service-disabled veteran-owned small businesses, in its procurement process at both the prime and subcontracting levels.

GSA has aggressive goals for small business participation in our acquisitions. These goals are based on our forecast of requirements and associated contracting actions for the next fiscal year. GSA's small business contracting goal for FY 2011 was 27 percent of all contract dollars obligated. In FY 2011, GSA awarded 41 percent of all contract dollars to small businesses. PBS obligated more than \$1.05 billion, or approximately 39 percent of eligible dollars, to small businesses.

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<sup>1</sup> The small business size standard for General Construction is \$33.5 million average annual gross receipts over the last three years. For Specialty Trade Contractors the size standard is \$14 million average annual gross receipts. If a procurement is set-aside for small business then the prime contractor must perform at least 15 percent of the cost of the contract, not including the cost of materials, with its own employees for general construction and at least 25 percent of the cost of the contract, not including the cost of materials, with its own employees for specialty trade contracts.

PBS's prime contractors continue this high level of small business participation in their subcontracting awards. In FY 2011, PBS contractors awarded more than 46 percent of all subcontracted dollars to small businesses.<sup>2</sup>

There are two main ways in which GSA provides small business opportunities in our construction projects: small business set-asides for prime contractors on our minor repair and alteration projects and smaller capital program projects, and as subcontractors on our major modernization and new construction projects.

*Minor Repair and Construction Projects* - In FY 2011, the majority of PBS's construction contracting opportunities were awarded from our minor repair and alteration funding. GSA historically requests, on average, \$340 million for minor repairs to maintain our buildings and take care of emergency work that arises during day-to-day operations. These minor repair projects total less than \$2.79 million and, for that reason, provide a perfect venue for small businesses.

For example, W.P. Mahon, a woman-owned, section 8(a) general contracting and roofing firm based out of Delaware, helped PBS replace and make significant roof repairs on the historic Mitchell H. Cohen U.S. Courthouse and Post Office in Camden, New Jersey. This project was a success due to Mahon's dedication and ability to work through inclement weather, without disrupting the tenants occupying the building. Mahon showed tremendous flexibility in expertly installing vacuum-insulated panels even though they had no prior experience with these products. This is a prime example of the types of projects we are privileged to award to small businesses.

Another one of PBS's small business success stories involves a small firm from Erlanger, Kentucky. This firm, Century Construction, installed 300 security bollards at the historic Gene Snyder Federal U.S. Courthouse in Louisville. The project completed by Century helped resolve a four-year old building security deficiency on this complex project. Century Construction finished on-schedule and on-budget without any disruptions to building operations.

*Major Construction and Modernization Projects* - Small businesses also have many opportunities to work on large GSA modernization and new construction projects, primarily as subcontractors.

Typically, small businesses may have difficulty obtaining prime contract awards in major construction as a result of bonding limitations. The Small Business Administration, however, assists by providing bonding assistance through their Surety Bond Guarantee

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<sup>2</sup> Based on preliminary reporting through the Electronic Subcontracting Reporting System (eSRS); percentages are subject to change with final reporting.

Program for individual contracts of \$2 million or less for small and emerging contractors who cannot obtain surety bonds through regular commercial channels.

GSA strives to provide small businesses with prime contracting opportunities when possible. For example, PBS structured a \$46 million Recovery Act project in St. Louis, Missouri at the Robert A. Young Federal Building for small business. GSA established three separate construction projects and awarded the design to a small business architect-engineering firm who designed each project to ensure coordination and consistency. PBS awarded each of the three smaller projects to small businesses, which could not have competed for a single, larger project due to its size.

PBS's prime contractors on our large projects exceeding \$1.5 million must have small business plans and goals for these projects that are evaluated during the contract selection process. On these construction projects, we must evaluate a small business subcontracting plan in relation to the small business goals set for the project in the solicitation.

The relationships between our prime contractors and small business subcontractors are working successfully at GSA. For example, a number of small businesses are assisting us at the Department of Homeland Security campus at St. Elizabeths in Washington, DC, the largest construction project since the Pentagon. Small businesses consist of approximately 42 percent of the dollar value of all contracts at St. Elizabeths. Approximately 10 percent of those small businesses are 8(a) firms. These small businesses provide their expertise in more than 16 different types of work and field expertise.

To further our achievements in subcontracting, GSA has a Mentor-Protégé Program to assist our prime contractors in selecting small businesses in various fields, as well as helping to enhance small businesses' performance capabilities. This program allows smaller firms to team with our larger construction contractors to gain more direct experience in the construction field and make the transition to larger projects and contracts. We have more than 100 active agreements in place and expect even more in coming months. Protégé participants have reported 41 new contracts won as a result of assistance received from Mentor firms, with a total value amounting to nearly \$260 million. Additionally, we have seen an increase in subcontract awards to Protégés, which have reported 54 new subcontracts from Mentor firms.

To increase the availability of information, GSA publicizes prime contractor contact information online and hosts partnering events that enable small businesses to present qualifications and develop relationships with our prime contractors.

## *Small Business Challenges*

We realize the importance and value small businesses bring to our agency and economy, and we track our large contracts to ensure our partners are meeting the commitments they made to GSA in their small business subcontracting plans. On major modernizations and new construction projects, our prime construction contractors directly issue subcontracts to other firms. As is common in construction, GSA's projects often involve many layers of subcontracting. These first-tier subcontractors issue further subcontracts to small businesses. The subcontracting plan clause requires that large business subcontracts that exceed \$1.5 million include the same subcontracting requirements as the prime contractor. But we do not have the opportunity to similarly track compliance with second- and third-tier contracts, creating a challenge in ensuring the actual dollars awarded to small businesses are accurately reflected.

Additionally, in the current budgetary environment, GSA has received very limited funds for large new construction and modernization projects. Indeed, in FY 2012, all of our repair and alteration funding will be used for minor projects, rather than major modernizations. Most of the contract opportunities, as mentioned previously, will be ideal for small businesses.

## *Conclusion*

I am happy to be here today to discuss the success GSA has had in encouraging small business participation on our construction projects, both on the prime contract level and in subcontracting. While there are challenges in the current system, GSA has developed and will continue to develop new and innovative ways to promote small business participation in our construction projects, helping strengthen small business communities and foster partnerships both with GSA and with the broader construction community.

Thank you for the opportunity to appear before you today and I welcome any questions you or other members of this Subcommittee have for me.